



## CDIAC's SURVEY OF EDUCATION DISTRICTS REVEALS OPPORTUNITIES FOR OUTREACH AND RESEARCH

Mark Campbell  
CDIAC Policy Research Unit

At the close of 2002, the California Debt and Investment Advisory Commission (CDIAC) surveyed K-12 school and community college districts in California to assist it in directing resources and staff in the forthcoming years. With the passage of Proposition 39 and the prospect of severely reduced budgets, school districts have increased their use of debt to meet short- and long-term financing needs. CDIAC's survey was designed to collect information from K-12 school and community college districts that could be used to develop seminars, conferences, and research reports that directly address the needs of education districts when issuing debt and investing public funds. The survey focused on General Obligation bonds (GO) and Certificates of Participation (COP), in particular.

The survey and cover letter providing background and information on CDIAC's intended use of the information received was mailed to 274 K-12 school districts identified through CDIAC's database that have issued debt within the past two years. The same survey and cover letter was sent to the business officer at all 72 community college districts in the state.

CDIAC has received 101 responses (29 percent), including 81 responses from K-12 districts and 20 responses from community college districts.

### K-12 School District Results

Of the 81 K-12 respondents, 33 (41 percent) anticipated issuing GO bonds or COPs within the next year. The total volume of debt to be issued ranged between \$758 and \$861 million.

Thirty-nine of the respondents to the survey (49 percent) participated in key decisions during the last debt issuance process, but utilized the services of financial advisors and underwriters for at least some advice. Twenty-eight (35 percent) considered their staff time limited and assumed an oversight role while relying on the services of the financing team. Seven respondents (9 percent) actively participated in key decisions without the assistance of a financial advisory. Six respondents (8 percent) relied exclusively on the advice of financing team members.

A majority of the respondents (60 issuers or 78 percent) were "completely satisfied" with their last debt issuance process, including the cost and interactions with finance team members. Sixteen respondents (21 percent) admitted that the process included a few hurdles, but that they were "generally satisfied." Of the 39 respondents who indicated that they participated in the financing transaction but utilized external financial service providers, 10 (26 percent) reported they met with some obstacles, but were generally satisfied. Of the six respondents who said they relied exclusively on external service providers, two (33 percent) reported meeting obstacles along the way. Nonetheless, they were generally satisfied with the process.

When queried about training and educational needs, 35 respondents (43 percent) leaned towards more training, while 18 respondents (22 percent) felt that they possessed sufficient training or experience. Twenty-eight issuers (35 percent) were willing to forego additional training by relying on the experience and knowledge of their financial service providers. Among the 17 respondents who reported they encountered obstacles but were generally satisfied with the process, 9 (53 percent) indicated they would like more training.

Respondents also identified several financing "hot topics" facing K-12 districts. These included, in no particular order, the State budget deficit, the ability of the market to absorb all GO debt set for issuance, managing cash flow, managing bond proceeds, issuing Revenue Anticipation Notes, dealing with Citizen Oversight Committees, understanding Proposition 39 procedures, and calculating arbitrage.

When asked if the respondents would consider attending a CDIAC seminar apart from their association meetings, 64 percent said that they would. Of the 38 respondents that identified a need for additional training, 31 (82 percent) said they would attend a CDIAC function separate from other events. Seventy-six respondents (94 percent) said that they would attend a CDIAC function if it were offered in conjunction with an event hosted by their association. Forty-seven issuers (62 percent) acknowledged that their association did not provide sufficient training in debt financing and investment of public funds to meet their needs.

### **Community College Results**

Half of the 20 community college respondents plan to issue GO bonds or COPs within the next year. The total amount of debt planned for issuance is \$284 million.

Twelve of these respondents (60 percent) reported that they participated in the debt issuance process, but utilized services of financial advisor or underwriter. The remaining eight (40 percent) reported that they relied heavily on financing team members for information and advice.

Fifteen of the 20 respondents (83 percent) were completely satisfied with their last debt issuance process, including their interactions with financial service providers. The remaining three (17 percent) admitted encountering a few hurdles along the way, but were generally satisfied with the process.

As with K-12 districts, a majority of the community college respondents (13 issuers or 62 percent) felt that either their training or the training and experience of their external financial service providers was sufficient to meet their needs. The remaining eight (38 percent) expressed a desire to gain additional expertise. Among the 13 issuers who reported they were partially involved in the issuance process but relied on external finance professional for only some advice, 10 (77 percent) considered their training to be sufficient to meet their needs. Conversely, five of the eight respondents (63 percent) whose activities were limited to oversight of the financing team desired additional training.

Among the “hot topics” identified by community college respondents were: dealing with IRS audits, managing bond funds with arbitrage restrictions, and understanding Proposition 39 requirements and obligations.

Thirteen respondents (72 percent) were willing to attend a CDIAC seminar separate from their association’s activities. All of the respondents were willing to attend a CDIAC seminar held in conjunction with their association. Unlike the K-12 districts, community college respondents felt that their association training in debt financing and the investment of public funds was adequate to meet their needs.

### **Interpretations**

This survey of school and community college districts was intended to provide CDIAC with insight into the debt and investment practices of these districts. The survey provided some interesting anecdotal information that can be useful to CDIAC in designing seminars, conferences, and research studies.

A surprising finding was the lack of awareness among school and community college district officials about CDIAC and its services. Only four respondents indicated attending a CDIAC seminar or conference within the past two years. CDIAC has already made substantial progress in this regard, however. In April 2002, CDIAC joined with the California Association of School Business Officials (CASBO) to offer a finance workshop on developing a bond financing team and understanding municipal securities. In December 2002, CDIAC hosted a panel on the “Roles of a Successful Financing Team” at the California School Boards Association meeting. CDIAC will return to CASBO in April 2003, offering a pre-conference session on debt financing and debt administration. This strategy is consistent with the survey results indicating that the vast majority of respondents were willing to attend a CDIAC program offered in conjunction with an event held by the appropriate educational association.

The survey also indicates a relationship between the respondent’s perceived level of satisfaction concerning their last debt financing and their willingness to seek additional training and education. Among the 17 K-12 respondents who indicated that they were generally satisfied with their last debt issuance process, 9 (53 percent) were willing to receive additional training. This compared to the 24 respondents out of the 62 (39 percent) who reported being completely satisfied, but were still interested in receiving additional training. The same relationship appeared among community college respondents where two of the three issuers (67 percent) who were generally satisfied were willing to receive additional education while only six of the 18 issuers (33 percent) who were completely satisfied indicated a similar willingness. Education officials appear willing to seek solutions when problems exist. To the extent that Proposition 39 increases public scrutiny of education debt or the uncertainty issuers face in issuing Proposition 39-approved debt, education officials are likely to seek out additional training and education.

Finally, educational districts identified several “hot topics” that will provide CDIAC with a basis for future research and publications. In particular, several districts identified the role of Citizen Oversight Committees under Proposition 39 as an important topic.

Table 1 summarizes the key responses received from the survey respondents.

**Table 1**  
**Survey of Education Districts<sup>1</sup>**

		K-12		Comm Coll	
<b>Question 1</b>		Number	Percent	Number	Percent
Is your school or community college district planning to issue any general obligation bonds or COPs in the next year?	Yes	33	41%	10	50%
	No	48	59%	10	50%
<b>Question 2a</b>					
Please describe your level of involvement in the last debt transaction, including COPs and leases, completed by the district.	Actively participated, did not use services of a financial advisor	7	9%	0	0%
	Participated, but utilized financial advisor/underwriter services	39	49%	12	60%
	Oversight role, relied heavily on financing team	28	35%	8	40%
	Relied exclusively on financing team	6	8%	0	0%
<b>Question 2b</b>					
How satisfied were you with the process of issuing debt?	Completely satisfied	60	78%	15	83%
	Generally satisfied	16	21%	3	17%
	Intend to restructure process in future	1	1%	0	0%
	Other	0	0%	0	0%
<b>Question 2c</b>					
Do you feel more education or training would have assisted you in the process?	No education or training required -- have sufficient knowledge	18	22%	6	29%
	No education or training required -- rely on professional services	28	35%	7	33%
	Yes -- would like to gain further knowledge of process	35	43%	8	38%
<b>Question 3</b>					
Are you aware of CDIAC and the services it offers to local government officials?	Yes	20	25%	1	5%
	No	61	75%	19	95%
<b>Question 4</b>					
Would you attend a CDIAC program on debt financing or investing district funds that was offered SEPARATELY from your education association conferences?	Yes	50	64%	13	72%
	No	28	36%	5	28%
<b>Question 5</b>					
Would you attend a CDIAC program on debt financing or investing district funds that was offered IN CONJUNCTION with your education association conferences?	Yes	76	94%	20	100%
	No	5	6%	0	0%
<b>Question 6</b>					
Do you feel that the training offered by your education association, with respect to debt financing or investment of public funds, fulfills your needs?	Yes	29	38%	12	60%
	No	47	62%	8	40%

For individuals interested in information about CDIAC debt seminars or current research reports, please visit CDIAC's website at [www.treasurer.ca.gov/cdiac](http://www.treasurer.ca.gov/cdiac) or contact CDIAC at (916) 653-5167.

<sup>1</sup>Not all respondents completed all questions while some provided more than one response to a question. Differences in column totals or individual cells may appear as a consequence.

*This Offprint was previously published in DEBT LINE, a monthly publication of the California Debt and Investment Advisory Commission (CDIAC). CDIAC was created in 1981 to provide information, education, and technical assistance on public debt and investment to state and local public officials and public finance officers. DEBT LINE serves as a vehicle to reach CDIAC's constituents, providing news and information pertaining to the California municipal finance market. In addition to topical articles, DEBT LINE contains a listing of the proposed and final sales of public debt provided to CDIAC pursuant to Section 8855(g) of the California Government Code. Questions concerning the Commission should be directed to CDIAC at (916) 653-3269 or, by e-mail, at [cdiac@treasurer.ca.gov](mailto:cdiac@treasurer.ca.gov). For a full listing of CDIAC publications, please visit our website at <http://www.treasurer.ca.gov/cdiac>.*

*All rights reserved. No part of this document may be reproduced without written credit given to CDIAC. Permission to reprint with written credit given to CDIAC is hereby granted.*